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C O N F I D E N T I A L SANAA 003423

SIPDIS

USDOC - PASS TO ADVOCACY CENTER/CHRISTOPHER JAMES. HELSINKI  
- PASS TO FCS/ROBERT PEASLEE. RIYADH - PASS TO FCS/NANCY  
CHARLES-PARKER. DUBAI - PASS TO FCS. USDOC - PASS TO  
ITA/TYLER HOFFMAN. STATE - PASS TO USTR/JASON BUNTIN

E.O. 12958: DECL: 12/04/2015

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SUBJECT: ROUND 3: BOEING VS. AIRBUS: AMBASSADOR RECEIVES A  
STATUS UPDATE FROM YEMENIA CHAIRMAN

REF: A. SANAA 3032

[B](#). JEDDAH 4638

[C](#). SANAA 3198

Classified By: AMBASSADOR THOMAS C. KRAJESKI FOR REASONS 1.4 (B) AND (D)  
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[1](#)1. (C) Summary: On December 4, the Ambassador met with Captain Abdulhamid AlQadi, Chairman and CEO of Yemenia Airlines to discuss the 10-plane purchase that the company is in the midst of completing. AlQadi said that the company will make a decision in the near future, possibly by the end of January, and the prospects for Boeing are favorable. Airbus is, however, placing pressure on Yemenia and is using a previous deal as leverage. End Summary.

[1](#)2. (C) Ambassador reiterated to AlQadi the importance of the Boeing deal to the USG, noting that business deals like this one not only promote trade and investment, but also bring Yemen and the United States closer together. He mentioned that the deal was discussed during the recent visit of Yemeni President Ali Abdullah Saleh to the U.S., and that the discussions were positive.

[1](#)3. (C) Captain AlQadi said that he briefed President Saleh before the visit, and was glad to hear that it went well. He further commented that Yemenia likes the Boeing offer because of the technology, the EX-IM financing and the dependability that comes from doing business with an American company. He noted, however, that Yemenia needs to take into consideration the financial problems regarding a previous lease of two Airbus aircraft.(reftel A)

[1](#)4. (C) According to AlQadi, the current market value of the two Airbus planes is USD 10-12 million each. According to the terms of its lease, however, Airbus is charging Yemenia USD 38 million plus interest payments for a total of USD 50 million dollars. As part of the negotiations for the current deal, Airbus has agreed to slash 90 percent of the price of the current lease if Yemenia purchases 10 more aircraft from Airbus, not Boeing. If Yemenia rejects the deal, the company will have to pay USD 73 million to purchase the planes and close the lease, or Airbus will pursue legal action.

[1](#)5. (C) AlQadi and the Ambassador agreed that the Airbus leasing deal had been unfair from the beginning, and that Airbus was using the threat of legal action against Yemenia to win the 10-plane contract. AlQadi commented that Yemenia is trying to find an alternative way of handling the problem with the old Airbus deal, but Airbus is refusing to participate in arbitration, and the company fears that Airbus could resort to seizing the planes.

[1](#)6. (C) Captain AlQadi hopes that Yemenia will have reached a decision on the purchase of the 10 new aircraft by the end of January. He mentioned plans to hold a meeting on December 19 between the company owners, Boeing, and Airbus to further discuss the purchase.  
Krajeski